

**FISCAL NOTE**  
**HB 895 - SB 1752**

March 12, 2007

**SUMMARY OF BILL:** Includes any otherwise nontaxable service bundled with taxable video programming services as a taxable service under sales and use tax law.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - \$2,976,000**


**Increase Local Govt. Revenues - \$957,000**

Assumptions:

- According to the Department of Revenue, the primary nontaxable service most often bundled with taxable video programming services is cable (or broadband) internet service.
- Based on data obtained from the Federal Communications Commission (FCC), there are 506,143 cable internet subscribers in Tennessee.
- 20% of cable internet subscribers have their internet service as part of a bundled package that includes taxable video programming services (approximately 101,230 subscribers).
- The cost to the subscriber for the internet portion of the total service is estimated to be \$420 per year.
- Incremental taxable sales are estimated to be \$42,517,000 per year (101,230 subscribers X \$420 per year = \$42,516,600).
- The current state sales tax rate is 7.0%.
- The increase to state revenues is estimated to be \$2,976,000 per year (\$42,517,000 X 7.0% state sales tax rate = \$2,976,190).
- Local option sales tax rate is estimated to average 2.25%.
- The increase to local government revenues is estimated to be \$957,000 per year (\$42,517,000 X 2.25% local option rate = \$956,633).

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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